

SHINE Multi Academy Trust Reserves



Management log

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Document history

Version	Date authored	Author	Date approved	Date issued	Comments
V1	August 2017	Sarah Brown	21 September 2017	21 September 2017	To secure an reserves policy to support SHINE and its academies
V2	January 2020	Sarah Brown	6 February 2020	7 February 2020	Biennial review as SHINE has grown to five academies and there are differing levels of staff supporting business and finance.
V3	Nov 2023	Sarah Brown	20 June 2024	24 June 2024	To secure reserve pooling procedures and policy.

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Any printed copies should therefore be viewed as ‘uncontrolled’ and as such, may not necessarily contain the latest updates and amendments.

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1. Context

1.1. SHINE Multi Academy Trust (SHINE) Board of Trustees (Board) has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of SHINE.

1.2. The Reserves Policy and the establishment of ranges is based upon an annual risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities under taken by SHINE for its beneficiaries.

1.3. It is good practice to monitor the level of reserves throughout the year. The Reserves Policy should take into account SHINE's financial circumstances and other relevant factors.

2. Types of reserves

2.1. Unrestricted reserves

2.1.1. Unrestricted reserves (including designated reserves) are derived from income funds, grants or donations that can be spent at the discretion of the Board in furtherance of any of SHINE's objectives.

2.1.2. If part of an unrestricted income fund is earmarked for a particular project, it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the Boards discretion to spend the fund. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by SHINE.

2.2. Restricted reserves

2.2.1. Restricted reserves (including designated reserves) maybe restricted income funds, grants or donations that are spent at the discretion of the Board. In furtherance of some particular aspects(s) of the objectives of SHINE; or where the nature of expenditure has been defined by the donor; or they maybe endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

2.2.2. Restricted reserves are only available for expenditure once SHINE has met its commitments and other planned expenditure and is in accordance with limitations outlined in the original funding. Restricted reserves are also inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of SHINE.

2.2.3. All restricted reserves will be generated through improved operational efficiencies and effective manpower planning, in addition to a proactive programme to identify relevant sources of grant funding.

2.3. Designated reserves

2.3.1. Designated reserves are reserves that have been set aside at the discretion of the Board in furtherance of any of SHINE's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

2.3.2. The target range for any designated reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

2.4. Pension reserve

2.4.1 The risks surrounding SHINE's pension liability should be taken into consideration. The presence of a pension surplus or deficit will generally result in a cash flow effect for SHINE in the form of an increase or decrease in the pension contributions over a period of years. Trustees should assess the ability of SHINE to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

3. Management of reserves

3.1. The trust consider reserves as being the balance of unspent unrestricted funds, plus the balance of unspent General Annual Grant (GAG). Although GAG is a restricted fund, any unspent GAG is usually considered as reserves on the basis of its permitted use for the general day to day running of the academy trust's main activity of delivering education and maintaining the academies' states and facilities.

3.2. The level of reserves held takes into account the nature of income and expenditure streams, the need to match them with commitments and the nature of the reserves. The Trustees want to ensure financial health of our academies and ability to fund significant future investment, without holding back too much that could otherwise be used to benefit pupils.

3.3. The Trustees believe it is reasonable, based on the current level of reserves held against the income of the academies, that the level of reserves each academy can hold as at September 2023 is 8.54% of income, with any surplus being added into a central reserves pool.

3.4. The central reserves will be used as a contingency (including future change and uncertainty), planned investment and improvement, strategic development and growth. When considering capital investment, the academy trust will consider the highest priority areas for improvement, using intelligence gathered about the academy trust's estate condition to guide its decision

3.5. The academy trust's strategy will also include earmarking reserves as a contribution to a prospective CIF bid, where a contribution may lead to additional points as part of the bid assessment.

3.6. As part of the financial planning for the academy trust, academy leaders may identify a change in pupil numbers that could impact on funding, either an increase in a future year that would draw on resources until lagged pupil funding was received, or a drop in pupil numbers that would reduce future income. Reserves can provide extra support to see through these challenges.

3.7. Reserves held in excess of the target percentage will be reviewed by the Board on a regular basis. An appropriate range of options may well be considered which might include; releasing the funds into the revenue budget in furtherance of SHINE's objectives; assigning funds to appropriate designated reserves as may be determined by the Board; or investing the funds to generate further income to allow expansion of SHINE's work.

3.8. The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of the Board, or the appropriate sub-committee where delegated authority has been provided by the Board, subject to the restrictions which will remain attached to restricted funds (revenue and capital) and their use. The academy trust will maintain regular oversight of the reserves policy, to ensure it remains fit for purpose.

4. Accessing Central Reserves

4.1. Academy headteachers can put forward proposals to access central reserves where their current budget and reserves cannot support them with the project or situation. The CEO and CFO will work with the headteachers to design a proforma document that sets out the need and priority rating.

4.2. There will be a deadline in the autumn term, which will align with ESFA CIF bid proposals, for bids to be submitted to the board and in line with committee meeting dates.

4.3. The board will delegate the decision making of successful bids to the resources committee. The committee will take into account the nature of the request; Health and Safety, Safeguarding, staff issues, change in pupil numbers, cosmetic/environmental, time scales and value of the bid with the amount in reserves.

4.4. Unsuccessful bids will be put on a waiting list for the next round of bid proposals.

5. Appeals

5.1. Any appeals to the resources committee decisions will be directed to the full board where head teachers can present their case in person to the members.